



2-21-23

Testimony of Wayne Pesce
Connecticut Food Association

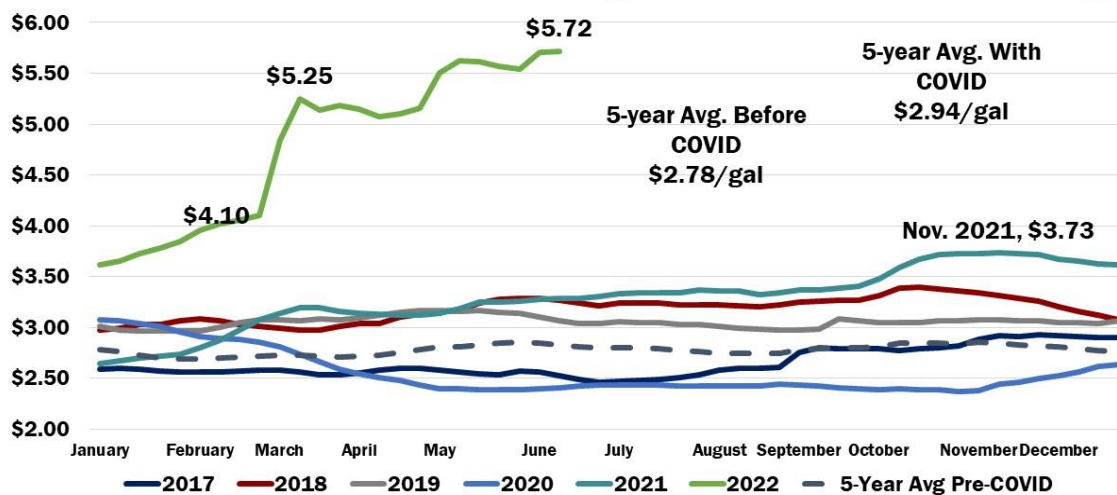
To: Committee on Revenue and Bonding

Commentary on Proposed Bill 350 - AN ACT EXEMPTING CERTAIN AGRICULTURAL VEHICLES FROM THE HIGHWAY USE TAX

The United States was experiencing a period of low inflation before 2020. Then, in early 2020, the coronavirus disease (COVID-19) created various market disruptions causing prices for goods and services to surge. As the labor market tightened during 2021 and 2022, core inflation rose as the ratio of job vacancies to unemployment increased. One of the other main contributors to the headline inflation shocks were energy prices.

The current high cost of diesel is being passed on to customers and these surging fuel prices come on top of other pressures on food retailers/food distributors including labor shortages and supply chain disruption.

Diesel Prices Hit Record Highs and Keep Climbing

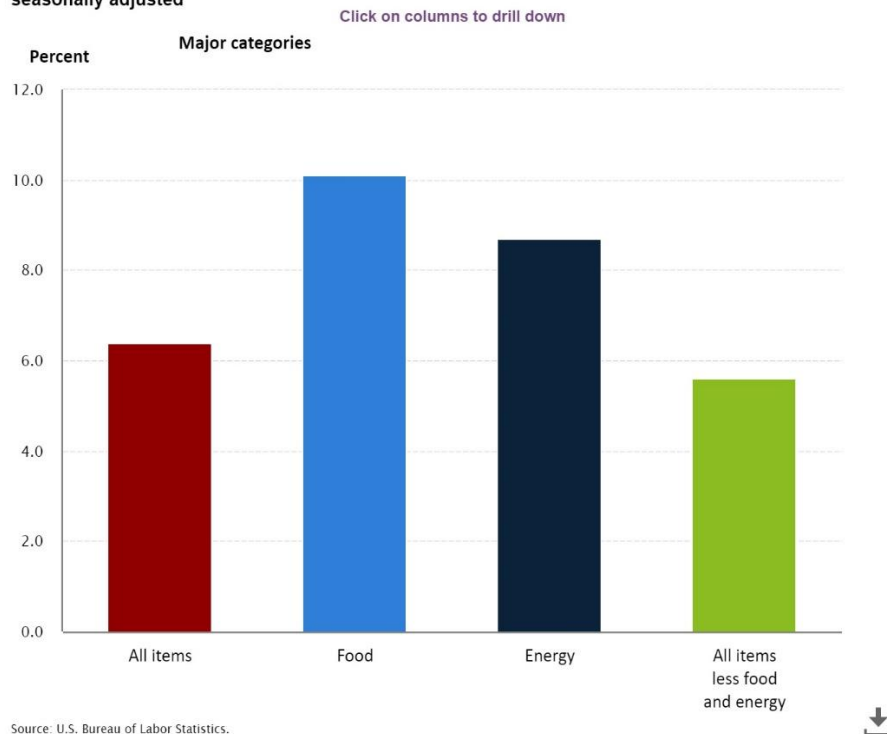


Bottom line is: Increased diesel fuel prices are key factor to consumers paying more for food in stores and restaurants: with diesel fuel prices hitting record levels, CFA predicts its retail, wholesale and supplier members will pass on increased transportation costs to food stores and

restaurant customers, who will in turn pass on those costs to consumers. Connecticut consumers buying food and drink in grocery stores, and when they're eating out, will be paying more because the cost of distributing those goods to the retail outlet has gone up so much in the last year.

Food inflation soared 10.0% year-over-year, for the fastest rate since April 1979. Prices for groceries advanced 13.5%, the most since March 1979, and they increased 8% for foods consumed outside of the home.

12-month percentage change, Consumer Price Index, selected categories, January 2023, not seasonally adjusted



CONSUMER PRICE INDEX - JANUARY 2023

The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.5 percent in January on a seasonally adjusted basis, after increasing 0.1 percent in December, the U.S. Bureau of Labor Statistics reported. Over the last 12 months, the all-items index increased 6.4 percent before seasonal adjustment.

The index for shelter was by far the largest contributor to the monthly all items increase, accounting for nearly half of the monthly all items increase, with the indexes for food, gasoline, and natural gas also contributing. The food index increased 0.5 percent over the month with the food at home index rising 0.4 percent. The energy index increased 2.0 percent over the month as all major energy component indexes rose over the month.

As you can see from recent economic data food price inflation is already staggering, however the HUT Tax is making it worse, as increased diesel costs are passed along the supply chain and, eventually to consumers who pay the steepest price.

According to ConnDOT, more than 99% of Connecticut's freight is transported by truck. With that in mind, allowing the HUT to take effect in January only added to inflationary pressure by imposing unnecessarily higher costs on Connecticut businesses and residents. We urge repeal of the HUT Tax for all food distribution suppliers in order to level the playing field for Connecticut businesses and consumers.

The food association is commissioning an economic impact study to gauge the effect of the Hut Tax to grocery prices and we look forward to sharing that information with this committee and the larger legislative body.